
Volume 6

The Business Office & the FSA Grant Programs

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The Business Office and the FSA Grant Programs



CHAPTER 1

Pell Grant awards are based on the 9-month Expected Family Contribution (EFC) on the student's valid SAR or ISIR, the structure of the academic year, and the Cost of Attendance. Pell Scheduled Award amounts are based on enrollment status, as specified on the Pell Payment Schedules released by the Department. Iraq and Afghanistan Service Grants (IASGs) may be earned by students whose parents are killed as a result of U.S. military service in Iraq or Afghanistan after September 11, 2001.

This chapter assumes that confirming student eligibility is the responsibility of the financial aid office, and that eligibility has been confirmed before the business office is notified of a student's award.

PELL CONCEPTS: SCHEDULED AWARD, AWARD YEAR, & ANNUAL AWARD

The Scheduled Award is the maximum amount the student can receive during the award year, if he or she attends *full-time* for a *full* academic year. The award year begins on July 1 of one year and ends on June 30 of the next year. For example, the 2012-13 award year begins July 1, 2012, and ends June 30, 2013.

A student's *Scheduled Award* is established by the Pell Grant payment schedule that the Department issues prior to the start of each award year. The amount of the Scheduled Award is always taken from the full-time payment schedule, and is based on the student's EFC and Cost of Attendance. The *annual award* is the maximum amount a student would receive during a full academic year for a given enrollment status, EFC, and COA. Note that for a full-time student, the annual award will be the same as the Scheduled Award.

At a term school, a part-time student will have an *annual award* that is less than the Scheduled Award. If the student attends part-time, the student's annual award is taken from the 3/4-time, 1/2-time, or less-than-1/2-time disbursement schedules. For instance, if a student's Scheduled Award is \$5,550, but the student is enrolled as a 1/2-time student in a term program, the student's annual award would only be \$2,775.

Cost	Full-Time payment schedule
	Expected Family Contribution
	0 500 1000 1500 2500 3000
1,500	
2,500	
3,500	
5,550 +	5,550

Cost	Half-Time disbursement schedule
	Expected Family Contribution
	0 500 1000 1500 2500 3000
1,500	
2,500	
3,500	
5,550 +	2,775

CHAPTER 1 HIGHLIGHTS

- Pell formulas for various types of academic –programs
- Summer terms, crossover payment periods, and mini-sessions
- Transfer students
- Zero EFC treatment for children of soldiers
- Iraq & Afghanistan Service Grants
- Recalculations (required and optional) when EFC, cost of attendance, or enrollment status changes
- Pell Grants and COD
- Pell-specific disbursement rules
- Overpayments and returning Pell Grant funds

Maximum duration of eligibility for Pell & Iraq & Afghanistan Service Grants (IASGs)

HEA Section 401(c), Consolidated Appropriations Act of 2012, DCL GEN-12-01, E-Announcement February 17, 2012, COD System Implementation E-Announcement April 6, 2012.

Under the Consolidated Appropriations Act of 2012 (CAA), a student may receive a total of 6 Pell or IASG Grant Scheduled Awards, measured by percentage of Scheduled award(s) disbursed (Lifetime Eligibility Used, or "LEU" field in COD, up to 600 percent). This limitation is not limited to students who received their first grant on or after July 1, 2008, as was the previous limit of 9 Scheduled awards. See duration of Pell & IASG eligibility section later in this chapter for more details.

Scheduled Award limit

34 CFR 690.63(g)

Pell payment schedules

The Pell payment schedules can be found in Dear Colleague Letters on the IFAP website.

Minimum Pell Grant for 2012-13

HEOA Section 401

DCL P-12-01

The HEOA eliminated the \$400 minimum award and instead set a new minimum award at 10 percent of the maximum award appropriated each year. Students who are eligible for less than 10 percent of the maximum award (\$555) are not Pell eligible for 2012-13.

Second Pell Grant Scheduled Award repeal and crossover payment periods

HEA Sec 401(b)(5) repealed

34 CFR 690.64

Due to the removal of second Pell Grant Scheduled Award availability, you are no longer required to assign a crossover payment period to the award year in which the student would receive the greater Pell award, but you are free to assign crossover payment periods to the award year which best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs (you must source Pell funds from the award year to which the payment period is assigned), provided that you never make a payment that will result in the student receiving more than his or her Scheduled Award for an award year.

PELL GRANT AWARDS FOR 2012-13

While the maximum Pell Grant award remains at \$5,550, under the Consolidated Appropriations Act of 2012 (CAA), the maximum eligible EFC for the 2012-13 award year has decreased, from 5273, to 4995. This means that a small number of applicants with high EFCs who would have been Pell eligible in 2011-12 are not Pell eligible in 2012-13. For the same reason, some applicants with low COAs that would have been eligible in 2011-12 will not be eligible in 2012-13.

Also, unlike in 2011-12, for 2012-13, students must be eligible for at least 10 percent of the total maximum (\$555) in order to be Pell Grant eligible. For more detail, see the Pell payment schedules in Dear Colleague Letter P-12-01, available on the IFAP website.

ACADEMIC YEAR

Your school must define the academic year for each of its programs of study. After doing so, it must use that definition for all FSA purposes for that program of study. Federal law and regulations provide minimum requirements for an academic year. For more detail on the requirements of academic year, see *Volume 3, Chapter 1* of the *Blue Book*.

TERMS AND PAYMENT METHODS FOR CALCULATING PELL

Generally, if all the coursework is scheduled to be completed within a specific time frame, the program can be considered term-based. Term-based programs can have either standard terms or nonstandard terms. Generally, Pell Grants are calculated differently for the two types of terms. Standard term programs may be treated similarly to nonstandard term programs if the program does not conform to a traditional academic calendar or meet certain other conditions.

Standard terms

Standard terms are semesters, trimesters, or quarters, as these words are traditionally used. In traditional usage, an individual semester or trimester provides about 14 to 17 weeks of instructional time, and full-time is defined as at least 12 semester or trimester hours. The program's academic calendar generally consists of three terms, one each in fall, spring, and summer. In traditional usage of the term "quarter," an individual quarter provides about 10 to 12 weeks of instructional time, and full-time is defined as at least 12 quarter hours. The program's academic calendar generally includes three quarters in the fall, winter, and spring, and often a summer quarter as well.

Nonstandard terms

Any term that isn't one of the standard terms described above is a nonstandard term. Sometimes schools refer to terms by standard names when they are, in fact, nonstandard terms. For example, a program may be made up of terms called quarters, but progress is measured in semester hours.

Nonterm programs

Nonterm programs may be measured in either clock-hours or credit-hours. If the courses of a program are not offered in an academic calendar requiring the completion of the courses within the beginning and end dates of the terms, it is likely a nonterm program.

Annual award based on enrollment status

In a term-based program, academic progress is always measured in credit hours, and the student's annual award depends on his or her enrollment status. Your school's standards for enrollment status must meet the minimum regulatory requirements, which are discussed in further detail in *Volume 2: Student Eligibility*.

For standard terms, the minimum enrollment standards are:

Full-time: 12 semester hours per semester/trimester
12 quarter hours per quarter
3/4-time: 9 semester hours per semester/trimester
9 quarter hours per quarter
1/2-time: 6 semester hours per semester/trimester
6 quarter hours per quarter
Less-than-1/2-time: less than half of the workload of the minimum full-time requirement.

If the student is enrolled full-time, then the annual award is the Scheduled Award, which is based on the full-time payment schedule. If the student is attending part-time, you must use the 3/4-time, 1/2-time, or less than 1/2-time disbursement schedules, depending on the number of credit hours in which the student enrolls. If the student is enrolled less-than-half-time, it will also affect the cost components that are used in the student's Budget/Cost of Attendance (see Volume 3). ***Schools do not have the discretion to refuse to pay an eligible part-time student, including during a summer term or intersession.***

On the appropriate Disbursement Schedule, your financial aid office will use the student's Cost of Attendance (COA) and Expected Family Contribution (EFC) to look up the Pell annual award for the year at that enrollment status. Most student aid software programs, such as EDEXpress, will do this automatically.

Pell Grant payments by term

Pell Grants must be paid in installments over the course of a program of study to help meet the student's cost in each payment period. The payment period affects when Pell funds are disbursed and the exact amount to be disbursed. For credit-hour term programs, the payment period is the term. If the student doesn't enroll in one of the terms, he or she won't receive a portion of the award for that payment period. If the student's enrollment status changes in the next term, his or her annual award will be different for that term. (See discussion of terms and payment methods.)

Pell Grant Administrative Cost Allowance

34 CFR 690.10

HEA Sec. 489(a)

For each student that receives a Pell Grant at your school each award year, your school is paid \$5 to help pay the associated administrative costs. This money must be used solely to pay for the costs of administering the Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, and FSEOG programs.

Full-time enrollment status for students with intellectual disabilities enrolled in special programs

34 CFR 668.230-233

HEA SEC. 484(S)

Students enrolled in a program for students with intellectual disabilities may qualify to receive aid as a full-time student by meeting the full-time enrollment status criteria using alternative credit "equivalencies." These equivalent credits, earned from audited courses and other normally non-credit activities undertaken as part of a program for students with disabilities may be awarded for purposes of determining enrollment status. For more detail, see Volume 2 of the Blue Book.

Academic calendar & enrollment status changes

34 CFR 690.63

34 CFR 690.80(b)

Because the academic calendar for a program determines which Pell formula you use, you need to review the conditions for the use of each formula if the calendar for the program changes. This is particularly true if you are using Formulas 1 and 2, since they have the most restrictive conditions. If a student's enrollment status changes during the year, your school may have to recalculate the student's Pell Grant payment based on the new enrollment status. At the end of this chapter we'll discuss when a school is required to recalculate due to a change in enrollment status.

Enrollment status under consortium agreement

The enrollment status of a student attending more than one school under a consortium agreement is based on all the courses taken that apply to the degree or certificate at the home institution. The disbursing school may have to make some adjustments if the coursework at the other school is measured in different units.

Enrollment status for cooperative education

In a cooperative education program, your school assesses the work to be performed by the student and determines the equivalent academic course load. The student's enrollment status is based on the equivalent academic course load.

Including remedial coursework in enrollment status

When determining enrollment status, your school must include any reduced-credit or noncredit remedial coursework designed to increase the student's ability to pursue his or her program of study. See the discussion of Enrollment Status in *Volume 2: Student Eligibility*.

Variations in enrollment status standards

If any program uses standard terms, the enrollment status standards in the program don't have to be proportional—for instance, a program could have a 15-hour standard for full-time enrollment, but set a 9-hour minimum for 3/4-time status and a 6-hour minimum for 1/2-time status.

In addition, your school's academic standard may differ from the enrollment standard used by the financial aid office for FSA purposes. For example, your school may define full-time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms, including the summer term. Your school must apply its FSA full-time enrollment standards consistently to all students enrolled in the same program of study for all FSA purposes. For more on enrollment status, see *Volume 3*.

Enrollment status for students taking regular and correspondence courses

If a student is enrolled in a non-correspondence study program, but correspondence coursework is combined with regular coursework, the correspondence courses must meet the following criteria to be included in the student's enrollment status:

- The courses must apply toward the student's degree or certificate or must be remedial work to help the student in his or her course of study.
- The courses must be completed during the period required for the student's regular coursework, e.g., a term.
- The amount of correspondence work counted can't be more than the number of credit hours of regular coursework in which the student is enrolled.

If the student is taking at least a half-time load of correspondence courses, the student would be paid as at least a half-time student, regardless of the credit hours of regular coursework. A student will be paid as a less-than-half-time student for any combination of regular and correspondence work that is less than 6 credit hours or the appropriate equivalent of half-time.

SELECTING AN APPROPRIATE PELL FORMULA

The regulations specify different ways of calculating Pell Grants. The formula your school's financial aid office uses to calculate a student's Pell Grant depends on the type of academic program the student is enrolled in. Once a Pell formula is chosen, your school must use the same formula when calculating Pell Grant awards for all students enrolled in that program for the entire award year.

FORMULA 1: CREDIT-HOUR TERM-BASED PROGRAMS

To use Formula 1, the academic program must meet one of two sets of requirements.

For a program with a traditional academic calendar, the program:

- must have an academic calendar that consists, in the fall through spring, of two semesters or trimesters, or three quarters (note that summer may not be a standard term);
- must have at least 30 weeks of instructional time in fall through spring terms;
- must not have overlapping terms; and
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit hours.

Other programs offered in standard terms may use Formula 1 if they start the terms for different cohorts of students on a periodic basis (for example, monthly). These programs

- must have an academic calendar that consists exclusively of semesters, trimesters, or quarters;
- must have at least 30 weeks of instructional time in any two semesters or trimesters or any three quarters;
- must start the terms for different cohorts of students on a periodic basis (for example, monthly);
- must not allow students to be enrolled in overlapping terms and must stay with the cohort in which they start unless they withdraw from a term (or skip a term) and re-enroll in a subsequent term.
- must define full-time enrollment for each term in the award year as at least 12 credit-hours and must measure progress in credit-hours.

For Formula 1, the term is the payment period, and you divide the student's award by the number of terms in the program's FSA academic year.

For examples of Pell calculations for Formula 1, see *Volume 3* of the *FSA Handbook*.

Requirements to be able to use Formula 1

34 CFR 690.63(a)(1)

Basic Pell calculations

Pell payment schedules: 34 CFR 690.62

Pell formulas: 34 CFR 690.63

"Crossover" payment periods (e.g., summer sessions):

34 CFR 690.64

Consistent use of formula

Your school must use the same formula for a program for all payment periods in an award year.

Standard term composed of shorter terms or modules

Remember that your school may combine shorter terms or modules into a standard term that meets the requirements for Formula 1. See the discussion of academic calendars in Volume 3 for examples.

Enrollment Status for Enrollment in Correspondence and Regular Coursework

<i>Regular Work</i>	<i>Correspondence Work</i>	<i>Adjusted Total Coursework</i>	<i>Enrollment Status</i>
3	3	6	Half-time
3	6	6	Half-time
3	9	6	Half-time
6	3	9	Three-quarter time
6	6	12	Full-time
2	6	6	Half-time

This chart assumes that the school defines full-time enrollment as 12 credit-hours per term, and half-time enrollment as 6 credit hours per term. As you can see in the second and third examples, the number of correspondence hours counted in the total course load was adjusted so that the correspondence hours never exceeded the regular hours taken. Note that in the last example, the student is eligible for payment based on half-time enrollment in correspondence courses, despite the fact that the student only took 2 credit-hours of regular coursework.

Using Formula 2

34 CFR 690.63(a)(2), 690.63(c)

FORMULA 2: STANDARD-TERM PROGRAMS WITH LESS THAN 30 WEEKS IN THE FALL THROUGH SPRING

Formula 2 may be used for programs that would qualify for Formula 1 except that the program's academic calendar provides less than 30 weeks of instructional time in the fall through spring terms. Like Formula 1, it simplifies the calculation payments by providing for the same calculation for all payment periods in the award year.

The regulations provide an option for standard-term programs whose fall through spring terms provide less than 30 weeks of instructional time. Formula 2 may be advantageous for your summer term calculations. Your school may use Formula 2 if the program:

- has an academic calendar that consists of two semesters or trimesters (in the fall through the following spring) or three quarters (in the fall, winter, and spring);
- does not have overlapping terms; and
- measures progress in credit-hours and defines full-time enrollment for each term in the award year as at least 12 credit-hours.

For examples of Pell calculations for Formula 2, see *Volume 3* of the *FSA Handbook*.

FORMULA 3: GENERAL FORMULA FOR ANY TERM-BASED PROGRAM

Any term-based program may use this formula for Pell calculations, but a school *must* use this formula for a term-based program that does not qualify for Formulas 1 or 2 (for instance, a program that uses only nonstandard terms).

To calculate the payment for the term, your financial aid officers must prorate the annual award that you looked up on the appropriate Pell Grant payment or disbursement schedule. Unlike the term calculation in Formula 1, the annual award can't simply be divided evenly among the terms. Instead, you must multiply the annual award by a fraction that represents the weeks of instructional time in the term divided by the weeks of instructional time in the program's academic year.

$$\frac{\text{weeks* in term}}{\text{weeks* in academic year (at least 30)}}$$

If the resulting amount is more than 50 percent of the annual award, your school generally (see exception in sidebar) must make the payment in at least two disbursements in that payment period regardless of whether the term is a standard term or a nonstandard term. A single disbursement for a payment period can generally not be for more than 50 percent of the annual award. Your school may disburse more than 50 percent of the annual award once the student has completed half of the weeks of instructional time in the program's academic year definition. For examples of Pell calculations for Formula 3, see *Volume 3, Chapter 3, Calculating Pell and IASG Grant Awards*, of the *FSA Handbook*.

Enrollment status standards for nonstandard terms

If your school uses Formula 3 for a program that contains standard terms, the minimum enrollment standards previously discussed would still apply for the standard terms. However, if a program has nonstandard terms, the enrollment standard must be calculated for the nonstandard terms. The full-time enrollment status is determined for a nonstandard term based on the length of the term in relation to the academic year.**

$$\text{Credit hours in academic year} \times \frac{\text{weeks* in nonstandard term}}{\text{weeks* in academic year (at least 30)}}$$

After your financial aid officers determine the number of credit-hours required for full-time enrollment, they then determine the less-than-full-time status for the nonstandard term using the following formula:

$$\frac{\text{Credit hours student takes in the nonstandard term}}{\text{Credit hours required for full-time enrollment in the nonstandard term}}$$

*These fractions use weeks of instructional time as defined in Volume 3, Chapter 1, which are not necessarily the same number as the calendar weeks in an academic year.

** If the resulting number isn't a whole number, it is rounded up to the next whole number. For example, 3.3 is rounded up to 4 if the program's coursework is offered in whole credits. If the program's coursework is offered in fractions, the full-time enrollment status need not be rounded. For example, 3.3 would remain 3.3 as full-time, and a student taking 3.4 credits in the term would be full-time.

Regulatory citations

Formula 3 described: 34 CFR 690.63(a)(3)
Enrollment status for nonstandard terms:
34 CFR 668.2

Disbursement cannot exceed 50% of the annual award:
34 CFR 690.63(f)

When to use Formula 3

- If a term program uses only nonstandard terms, or if a term program has standard terms but does not qualify for Formulas 1 or 2, you must use Formula 3 for Pell calculations.
- Any term program can opt to use Formula 3. However, standard term programs that qualify for Formula 1 or 2 generally prefer to use that Formula because it is simpler.

Disbursing more than 1/2 the annual award and the 50% Requirement

34 CFR 690.63(f)

If the disbursement for the payment period results in more than 1/2 of the annual award and occurs after half of the weeks of instructional time of the academic year have passed during the payment period, you can make a disbursement of the full payment for the payment period.

For example, your school has a program that must use Formula 3. The program has 3 terms with 17, 14, and 6 weeks of instructional time and defines its academic year as 30 weeks of instructional time and 24 semester hours. Debbie is attending half-time for all three terms. Her payments for each payment period are 17/30, 14/30, and 6/30 of her half-time annual award. For the first term, you may disburse 15/30 of her award at the beginning of the term and the final 2/30 only after the 15th week of instructional time in the term. However, if Debbie establishes eligibility in the 16th week of the term, you can make a disbursement of 17/30 of the annual award at that time. Her award for the 2nd and 3rd terms may be disbursed in a single disbursement.

Formula 4 requirements

34 CFR 690.63(a) and (e). All clock-hour and nonterm credit-hour programs must use Formula 4.

**Enrollment status standards
for clock-hour and other
nonterm programs**

For nonterm programs, the enrollment minimums are as follows:

Full-time in credit hours: 24 semester hours, 24 trimester hours, or 36 quarter hours per academic year.

Less than 1/2-time status is defined as less than half of the workload of the minimum full-time requirement.

Full-time in clock hours: at least 24 clock hours per calendar week.

**Coursework completion
requirement & withdrawal/re-
entry**

Students in nonterm programs must successfully complete a payment period to receive subsequent payments. Withdrawal and re-entry into a program is discussed in *Volume 5*.

**Receiving less than the
Scheduled Award due to
crossover**

A student may also receive less than a Scheduled Award in an award year, if the program crosses award years and the student's Pell Grant award in one of the award years is for a portion of the program that is less than a full academic year.

FORMULA 4: CLOCK-HOUR AND NONTERM CREDIT-HOUR PROGRAMS
Checking 1/2-time enrollment status

For clock-hour programs and for nonterm credit-hour programs, enrollment status only makes a difference if a student is attending less-than-half-time. If that's the case, only certain components of the cost of attendance are used. (See *Volume 3, Chapter 2* of the *Blue Book*.)

The annual award for a student in a clock-hour or nonterm credit-hour program is taken from the full-time payment schedule, even if the student is attending less than full-time.

TIP
Calculating payment amounts

Pell Grants must be paid in installments over the course of the academic year or program of study to help meet the student's cost in each payment period. The payment period determines when Pell funds are disbursed and the exact amount to be disbursed. Your school must use the rules discussed in *Volume 3, Chapter 1* of the *Blue Book* to determine the payment periods for clock-hour and nonterm credit-hour programs.

In nonterm programs, the student's Pell award is not reduced for part-time enrollment unless the student is enrolled less than half-time in which case the student's cost of attendance must be adjusted. However, if the program is less than an academic year (in either credits/clock-hours or weeks of instructional time), students enrolled in that program won't receive a full Scheduled Award. See *Volume 3* of the *FSA Handbook* for more information.

FORMULA 5: CALCULATIONS FOR CORRESPONDENCE STUDY PROGRAMS

Students enrolled in correspondence courses are eligible for aid under FSA programs only if the courses are part of a program leading to an associate's, a bachelor's, or a graduate degree. Also, to be eligible, a correspondence program must meet the criteria for an eligible program (see the *Volume 2* of the *FSA Handbook*). For examples of Pell calculations for Formula 5, see *Volume 3, Chapter 3*, of the *FSA Handbook*.

SUMMER TERMS & OTHER "CROSSOVER PAYMENT PERIODS"

Payment periods don't always fall neatly into one award year or another. When a payment period falls into two award years—that is, it begins before July 1 and ends on July 1 or later—it's called a "crossover payment period." The formula for calculating the payment for a crossover payment period is the same as that for any other payment period in the award year.

Crossover payment from the proper award year

For Pell purposes, your school must consider a crossover payment period to occur within one award year and calculate the student's Pell award and disburse Pell funds from the award year selected (if you only have a valid SAR/ISIR from one award year, you must rely on that record and the award year to which the valid SAR/ISIR pertains).

Your school may assign the Pell award to a different award year than the rest of the student's Title IV aid. You can make a payment for a crossover payment period out of either award year, if the student has a valid SAR/ISIR for the award year selected. Your school may assign two consecutive payment periods to the same award year. For example, your financial aid office could treat summer 2012 and summer 2013 as both being in the 2012-2013 award year. Besides these considerations, the decision about which award year to use is usually based on the student's remaining eligibility in the earlier award year.

Term schools: using the right formula for summer session

If your school offers a summer term in addition to fall through spring terms that qualify for Formula 1 or 2, your financial aid officers will calculate the student's payment for the summer term using the same formula that your school used to calculate payments for the other terms in the award year to which the summer term is assigned. If your financial aid office uses Formula 3 for Pell Grant calculations in any of the terms in an award year, then your school must use Formula 3 for *all* terms in that program that occur in that award year, including the fall through spring terms. (Note that if your program is a standard-term program in the fall through spring and does not define full-time enrollment in the summer as at least 12 credit hours, your school must use Formula 3 for Pell calculations for all terms in the award year.) With regard to enrollment status, your school must apply its definition of full-time status for the summer term consistently for *all* FSA program purposes.

Enrollment status for correspondence

Term classes — 34 CFR 690.66(c)(2)

Combined with regular study — 34 CFR 690.8

Academic coursework

The term academic coursework does not necessarily refer to credits. If a student does not earn any credits until the end of the program, it may refer to the lessons or other measures of learning within a course or a program. For instance, if a course or program is made up of 40 equal lessons, the student reaches the halfway point as follows:

- If the student successfully completes the first 20 lessons before the calendar midpoint of the academic year, the second payment period does not begin until the calendar midpoint.
- If the student completes the first half of the academic year before successfully completing the first 20 lessons, the second payment period does not begin until the student successfully completes the first 20 lessons.

Alternate calculation that includes summer term

If you're working with a standard-term program that meets the rules for Formula 1 or Formula 2, you may divide the annual award by the number of all the terms (including the summer term) in the award year.

Crossover Pell and Withdrawal

For details on how to perform Return of Title IV Funds calculations in a crossover Pell situation, see *Volume 5, Chapter 2* of the *FSA Handbook*.

Second Pell Grant Scheduled Award repeal and crossover payment periods

HEA Sec 401(b) removed
34 CFR 690.64

To conform with the removal of second Pell Grant Scheduled Award availability, you are no longer required to assign a crossover payment period to the award year in which the student would receive the greater Pell award, but are free to assign crossover payment periods to the award year that best meets the needs of your students and maximizes a student's eligibility over the two award years in which the crossover payment period occurs (you must source Pell funds from the award year to which the payment period is assigned), provided that you never make a payment that will result in the student receiving more than his or her Scheduled Award for an award year.

Minisession enrollment status example

Bob is enrolled in a summer session with three-week minisessions that his school, Falcon University, has combined into 1 term. Falcon is using Formula 1 to calculate Bob's combined term, and knows they must define full-time enrollment as at least 12 credit hours, even though the individual component minisessions may have originally considered full-time to be something less than 12 credit hours. Bob is enrolled for 6 credits during the combined summer minisession term. Bob's enrollment status is equal to the proportion of his credits to the school's definition of full-time for the combined term. Therefore, Bob should be credited with half-time enrollment status for the combined summer term.

Formula 3 minisessions and other nonstandard terms

If you use Formula 3 for any of the summer minisessions, or any other nonstandard term (e.g., a winter intersession), remember that you must also use it for all other terms in the award year, including fall through spring.

Summer minisessions

If a term-based school offers a series of minisessions that overlap two award years (by "crossing over" the June 30 end date for one award year), these minisessions may be combined and treated as one term. However, schools are not required to combine these minisessions unless they overlap each other.

If your school combines minisessions into a single term (i.e., payment period), the weeks of instructional time in the combined term are the weeks of instructional time from the beginning of the first minisession to the date the last minisession ends. The student's enrollment status for the entire payment period must be calculated based on the total number of credits the student is projected to take for all sessions. Your financial aid officers must project the enrollment status for a student on the basis of the credits the student has:

- pre-registered or registered to take for all sessions;
- committed to take for all sessions in an academic plan or enrollment contract; or
- committed to take for all sessions in some other document.

For examples of Pell calculations for minisessions, see *Volume 3* of the *FSA Handbook*.

TRANSFER STUDENTS

The Pell payment for a transfer student is calculated in the same way as for any new student. That is, your financial aid office must calculate payments for each payment period following the rules given in this chapter. However, a transfer student's remaining Pell eligibility at your school is reduced if the student received Pell funds for the same award year at any prior schools. Your financial aid officers can identify the student's prior Pell disbursements when they review his or her financial aid history in NSLDS (see sidebar).

Calculating remaining eligibility

Once your financial aid officers have identified the Pell amounts that a transfer student has already received for the ongoing award year, they must calculate the percentage of the Scheduled Award that has been used. This percentage is calculated by dividing the amount disbursed at the previous school by the student's Scheduled Award at that school (COD calculates this, and you can refer to COD to see what the percentage of remaining eligibility will be for a student).

$$\frac{\text{Pell disbursed at prior school}}{\text{Scheduled Award at prior school}} = \% \text{ of Scheduled Award used}$$

Then subtract this percentage from 100 percent. The result is the maximum percentage of the Scheduled Award that the student may receive at your school. Note that a transfer student receives the same payments as any other student until the limit (100 percent of a Scheduled Award) is reached. You must give the student the full amount for each payment period, rather than trying to ration the remaining amount by splitting it evenly across the remaining terms. There is no longer any provision for awarding a second Pell Grant Scheduled Award during a single award year.

Payment period for a transfer student at a nonterm school

When a student transfers into a nonterm credit-hour or clock-hour program at a new school, that student is starting a new payment period. For nonterm programs, you must use the payment period rules described in *Volume 3, Chapter 1* to determine the payment periods for the remainder of the student's program.

However, for a transfer student, the length of the program is the number of clock or credit-hours and the number of weeks of instructional time that the student will be required to complete in the new program. If the remaining clock or credit-hours or weeks of instructional time are half an academic year or less, then the remaining hours and weeks of instructional time constitute one payment period.

Transfer student

34 CFR 690.65

Mid-year transfer: "Dear Colleague" Letter GEN-00-12

Percent of remaining eligibility: 34 CFR 690.65(d)

NSLDS financial aid history and transfer monitoring

Before disbursing FSA funds to a transfer student, you must obtain a financial aid history for the student and you must inform NSLDS about the transfer student so that you can receive updates through the Transfer Student Monitoring Process. The financial aid history will not only identify Pell Grant disbursements that the student received at other schools, but also tell you if the student is ineligible for any FSA aid due to default or overpayment, or if the student has reached annual or aggregate limits for Stafford Loans. There are several ways for you to get a student's financial aid history from NSLDS. You can:

- use the NSLDS Financial Aid History section of the ISIR;
- log on to the NSLDS Professional Access website and access the data online for a student;
- for multiple students, use the FAT 001 Web report, which you submit from the Reports tab on the NSLDS site (you retrieve the results through SAIG); or
- send a batch TSM/FAH Inform file to request aid history data for several students, which will be returned in either extract or report format through SAIG. The TSM/FAH processes and batch file layouts are posted on the IFAP website at the NSLDS reference materials link under Processing Resources. For more on NSLDS financial aid history, see *Volume 2, Chapter 2*.

Why percentages are used

A transfer student may have different Scheduled Awards (for example, the costs of attendance at the two schools may be different). The percentages are also used to compare the portions of a student's total eligibility that have been used at both schools. (If the student's Scheduled Award is the same at both schools, the financial aid administrator can find the amount of the student's remaining eligibility simply by subtracting the amount received at the first school from the Scheduled Award.)

Transfers and remaining eligibility

34 CFR 690.65

Note: Following the appropriate procedures relative to the figure reported in % *Sch. Used* will ensure that a transfer student

does not receive more than 100 percent of the student's Scheduled Award. Therefore, school B may ignore the actual grant and overpayment amounts from school A in school B's calculations.

Avoiding Pell Grant overawards

A Pell Grant overaward can be caused by a school making an error in reading the (correct) Pell Payment Schedule, for example, using the wrong EFC or COA. A Pell Grant overaward can also be caused by a school using the wrong payment schedule, as when it uses the full-time schedule to determine the award for a student who is not registered as a full-time student, or who reduced his/her enrollment schedule to less than full time before beginning attendance in all classes.

A Pell Grant overaward can also result if an applicant enters incorrect data on a FAFSA and the EFC derived from the incorrect data is smaller than it should be (for more detail about the FAFSA and EFC data, see the *Application and Verification Guide*). A Pell overaward also exists if the student scheduled to receive it fails to begin class or is otherwise determined to be ineligible for FSA assistance (for example, having exceeded the lifetime eligibility used (LEU) in COD).

Finally, an overaward exists whenever a student is scheduled to or is receiving a Pell Grant for attendance at two or more schools at the same time. All of these Pell Grant overawards must be corrected (for more detail on the requirements and methods of resolving overawards, see the *FSA Handbook, Volume 5, Chapter 1*).

Besides avoiding these mistakes, schools should also be sure to submit timely Pell actual disbursement records to COD, according to the Annual Deadline Date Notice Rules as published on IFAP.

AWARDING REMAINING PELL ELIGIBILITY

Consider a student who is eligible for Federal Pell Grant funds and who transfers from one school (school A) to another school (school B) within the same award year. Before paying any Pell funds to the student, school B must determine the percentage of eligibility remaining to the student. After transferring, a student's remaining Pell Grant eligibility for a Pell Scheduled Award during an award year is equal to the percentage of the student's Scheduled Award that remains unused, multiplied by the student's Scheduled Award at the new school.

School B may pay the student a Pell Grant only for that portion of an academic year in which the student is enrolled and in attendance at school B. The grant must be adjusted, as necessary, to ensure that the funds received by the student for the award year do not exceed the student's Scheduled Award for that award year.

The award for each payment period is calculated using the (full) Scheduled Award. The student receives a full award until the student has received 100 percent of the student's remaining eligibility for a Scheduled Award. This avoids a school having to ration the remaining amount by splitting it evenly across the remaining terms. There is no longer any provision for awarding a second Pell Grant Scheduled Award during a single award year.

To calculate a transfer student's remaining eligibility for a Scheduled Award, school B must first determine what percentage of the Scheduled Award the student used at school A. On the student's current ISIR, on the Financial Aid History page, in a section headed *Pell Payment Data*, school B will find an entry for % *Sch. Used*. School B subtracts the percentage listed under % *Sch. Used* from 100%.

The remainder is the unused percentage of the student's Scheduled Award—the percentage the student may receive at school B. (Use percentages rather than dollars because a transfer student may have different Scheduled Awards at the two schools; using percentages rather than dollars adjusts for this possible difference.) School B then multiplies the percent of eligibility remaining times the Scheduled Award at the new school. The result is the maximum amount of Federal Pell Grant funds the student may receive for their first Scheduled Award at school B during the balance of the award year.

Duration of Pell & IASG eligibility in 2012-13

Under the Consolidation Appropriations Act of 2012 (CAA), for the 2012-13 award year and subsequent award years, a student's maximum duration of Pell and Iraq & Afghanistan Service Grant (IASG) eligibility is six Scheduled Awards, as measured by the percentage of "lifetime eligibility used" (LEU) field in COD. As such, a student is ineligible to receive further Pell or IASG funds if they have 600% or greater of lifetime eligibility used (LEU). This limitation is not limited to students who received their first Pell Grant on or after July 1, 2008, as was the previous limit of nine Scheduled awards. The LEU levels for Pell and IASG are separate and are tracked independently.

The Department will provide weekly reports in the Pell Grants Reporting Newsbox on the COD website for your 2012-13 Pell-eligible applicants that have a Pell LEU% greater than or equal to 450%. Students will fall into one of the following categories, which will have various effects:

- Student not on report—Students in this category have Pell LEU of less than 450%. These students' Pell/IASG awards will be awarded as normal, since even if they receive a full Scheduled Award for 2012-13, they will not go over the 600% LEU maximum.
- LEU greater than 450% but less than or equal to 500%—Students in this category will likely have Scheduled Award eligibility for 2012-13. However, a student's 2012-13 Pell/IASG eligibility may be truncated if, for example, another Pell disbursement is reported after a report has been created, putting the student's 2012-13 baseline LEU over 500%.
- LEU greater than 500% but less than 600%—These students will not have full Pell/IASG eligibility for 2012-13, since their baseline LEU has less than 100% remaining.
- LEU 600% or higher—These students will have no Pell/IASG eligibility for the 2012-13 award year, as they have already exceeded the new lifetime eligibility used amount as defined in the CAA.

In July, 2012, COD was updated to return warning code 177 or 178 when a student's LEU is near or exceeds 600%. Also, you will be able to see this data in the Common Record Response, and in July 2012, the Central Processing System (CPS) began reporting Pell Grant LEU information on SARs and ISIRs, and your school will be able to see a student's LEU status on the NSLDS system. For 2013-14 and forward, the LEU report will be available through the SAIG.

Pell Recalculations

34 CFR 690.80

Initial Calculation

An initial calculation is the first calculation that is made on or after the date the school has received an ED-product EFC* such as the student's initial SAR or ISIR with an official EFC and uses the enrollment status at the time of the initial calculation. If you've estimated the student's eligibility prior to receiving a SAR or ISIR for the student, you must confirm prior estimated eligibility or determine the student's eligibility at the time the SAR or ISIR is received.

You should document the date that you initially calculate a student's Pell Grant. The earliest date is the date of receipt of an ED-product EFC*, such as on a SAR or ISIR (assuming the school has a documented or projected enrollment status for the student). If you fail to document the date of the initial calculation, you must use the later of (a) the date that the SAR or ISIR is first received and the student's enrollment status as of that date or (b) the date the student enrolls.

Your school is considered to have received the ISIR on the date it was processed. This date is labeled "Processed Date" on the ISIR. In the case of a SAR, your school is considered to have received it on the date processed unless you document a later date. The processing date on a SAR is the date above the EFC and, on a SAR Acknowledgment, the "Transaction Processed Date."

*Note: An ED-product EFC may be an EFC from a SAR/ISIR, from FAA Access, or from FAFSA on the Web.

SAR/ISIR with different EFC

If you receive a SAR or ISIR with an EFC different from the one you used for the payment calculation, you must first decide which document is valid. If the new information is the correct information, the new SAR or ISIR is the valid record. In most cases, you must recalculate the student's Pell award for the entire award year based on the new EFC. For more information on SARs, ISIRs, and EFC, see the *FSA Handbook's Application and Verification Guide*.

PELL RECALCULATIONS

In certain cases, your school may have to recalculate the student's Pell Grant after the initial calculation or disbursement, to account for changes to the student's costs, EFC, or enrollment status.

Change in the EFC (recalculation required)

If the student's EFC changes due to corrections, updating, or an adjustment, and the EFC change would change the amount of the Pell award, your financial aid office must recalculate the Pell award for the entire award year. If, as a result of the recalculation, the student has received more than his or her award amount, then the student has received an overpayment. In some cases, your financial aid officers may be able to adjust an award by reducing or canceling later payments to the student in the same award year.

A student selected for verification, beginning in the 2012-13 award year, can be paid based on the corrected output document that your school receives during the "verification extension" (120 days after the student's last day of enrollment, not to extend beyond the deadline date established by a Federal Register notice). For example, if your school receives a reprocessed ISIR reflecting the results of the student's verification during the extension period and the ISIR has a lower EFC than the previous ISIR (increasing the student's eligibility), your financial aid office calculates the student's Pell Grant based on the valid ISIR.

Change in enrollment status for clock-hour programs and programs without terms (recalculation optional)

Pell Grant payments to students in clock-hour programs and programs without terms are always based on the full-time payment schedule; therefore, no recalculation of Pell eligibility is required for changes in the hours taken by students in clock-hour programs and non-term programs.

Change in enrollment status between terms (recalculation required)

In a term program that uses credit-hours, your school must calculate a student's payment for each term based on the enrollment status for that term. If a student attended full-time for the first term and then enrolled half-time in the second term, your school must use the half-time enrollment status to calculate the student's payment for the second term.

Change in enrollment status within a term (optional recalculations)

The regulations don't require any recalculation for changes in enrollment status after the student has begun attendance in all of his or her classes. However, your school can have a policy of recalculating an award if a student's enrollment status changes within a term. If such a policy is established, it must be applied consistently to all students in a program. For example, if the school chooses to recalculate for a student whose enrollment status increases from half-time to full-time, it must also recalculate for a student whose enrollment status decreases. If the school establishes a policy allowing optional recalculations for an educational program, this policy must be in writing.

Your school's policy may set a date after which Pell Grants will not be recalculated for enrollment status changes. For example, a school can establish a policy that it will recalculate Pell awards only for enrollment changes that occur up to the "add/drop" date of a term. This policy is true regardless of whether there is compressed coursework (the initial calculation of a student's Pell Grant may occur subsequent to the "add/drop" date of the term, including terms with compressed coursework).

If that is the case, your school must use the student's effective enrollment status on the date of the initial calculation, and there would be no recalculations of the student's Pell Grant for the term due to a subsequent change in enrollment status, assuming the student began attendance in each class. If the student's payment for the term is being disbursed in a subsequent payment period, your school may pay the student only for the coursework completed in the prior term.

In the case of programs offered with compressed coursework or modules within the terms, the school may adopt a policy of setting the date based on the add/drop date of the last class in which the student enrolls, or is expected to enroll, for the term. In this circumstance, the school must take into account all adjustments to the enrollment status, both increases and decreases, up to the add/drop date of the student's last class.

If a school doesn't establish a policy for recalculation within a term, a student who begins attendance in all classes would be paid based on the initial calculation, even if his or her enrollment status changes before the disbursement is made.

If the student withdraws from all of his or her classes (or doesn't begin attending any classes), your school must follow the procedures discussed in *Volume 5*.

Change in cost of attendance (recalculation required for an enrollment status change; otherwise optional)

Your school is not required to recalculate Pell awards for cost changes during the award year. For instance, if the student gets accepted into on-campus housing after the fall term and your student budget for on-campus housing is lower, your school is not required to recalculate the student's Pell award. If your financial aid office chooses to recalculate for changes in costs, they must consistently apply that recalculation policy.

If your school recalculates a Pell award because the student's enrollment status has changed, you must also take into account any changes in the student's costs at that time. For example, if a student enrolls full-time for the first semester and then drops to less than 1/2-time during that semester, the student's costs will change, because only certain cost components are allowed for less than 1/2-time students. If your school's policy is to recalculate for the enrollment change, you must use the cost for a less-than-half-time student *for a full year* to calculate the student's less-than-half-time award. Your school must not combine the two costs or average them.

Changes to the EFC

There are three ways that a student's EFC can change:

1. Corrections. The student may have to correct a mistake that was reported on the original FAFSA or SAR/ISIR. This frequently occurs as a result of verification, but it may also be a result of the student's own review of the SAR/ISIR.
2. Updating. In some cases, a student is required to update changes to dependency status, household size, and the number in college (see *Volume 1, Student Eligibility* for details).
3. Professional judgment. You may, on a case-by-case basis, adjust one or more of the data elements used to calculate the EFC. In some cases, you might make an adjustment during the award year to reflect a student's changed circumstances. For example, if a wage-earning parent dies after the student's first semester, you could adjust the adjusted gross income in the EFC formula to reflect the loss of income. You may also determine that a dependent student should be considered independent.

If the student has already been paid based on the original EFC, the award will have to be recalculated.

Enrollment change within payment period

Juan registers for a full-time course load at Coulton College, and Coulton initially calculates a full-time award for him. He begins attending all of his classes but subsequently drops to half-time. Depending on Coulton's recalculation policy, Juan may still be paid based on full-time enrollment as long as he's otherwise eligible for payment. On the other hand, if Coulton did not receive Juan's first processed valid SAR or ISIR with an official EFC until after he dropped to half-time enrollment, the Pell initial calculation would be based on his enrollment status at the time the output document was received (half-time).

Tuition and fee charges and recalculation

If the school recalculates a student's Pell Grant due to a change in enrollment status, continuing to charge tuition and fees for credit hours no longer included in the student's enrollment status for Pell Grant purposes does not affect the requirement to recalculate the student's Pell Grant. For example, Jackie enrolls as a full-time student with 12 credits but never starts attendance in a 3-credit class that starts after the college's "add/drop" date. Jackie's award must be recalculated as three-quarter time even though the college charges tuition for any classes dropped after the "add/drop" date and continues to charge Jackie for 12 credits.

Enrollment change: required recalculation example

Ryne registers for a full-time course load (15 credit hours), and Norrath War College makes a first-term disbursement on that basis 10 days before the term starts. When the term starts, Ryne only begins attendance in three classes (9 credit hours). Norrath must recalculate Ryne's Pell award based on the lower enrollment status. Any difference between the amount Ryne received and his new recalculated award is an overpayment. See *Volume 5* for a discussion of overpayments.

Student choosing to decline Pell funds

DCL GEN-12-18

COA changes between payment periods

A school may have a policy of recalculating awards when the cost of attendance changes from one payment period to the next—for example, because of changes to the student's tuition and fee costs, or because a student's living situation changes (such as when a student moves off campus). Schools also have the option to establish a policy to recalculate financial aid awards when a student's costs change *within* an award year, as long as the recalculation policy is carried out for all students whose costs change.

COA changes within a payment period

Your school may establish a policy of recalculating for cost changes from one payment period to the next, and at the same time, have a policy not to recalculate for cost changes *within* a payment period. You also have the option to establish a policy to recalculate financial aid awards when a student's costs change within a payment period. For instance, if a student with no dependents moves from a dormitory to off-campus housing at midterm, the school may wish to recalculate the student's award for that payment period.

For Pell purposes, such a policy is acceptable if it's carried out for all students whose costs change within the payment period.

Your school may not recalculate the payment for a payment period that took place *before* the cost change. For instance, in the example, if the student lives in the dormitory during the first quarter and then moves off campus for the second and third quarters, the recalculation would only affect the payments for the second and third quarters.

DECLINING PELL GRANT FUNDS

A student may decline all or part of a Pell Grant disbursement that the student is otherwise eligible to receive, as long as this action is taken in the same award year as the funds were received. In doing so, they will reduce their Pell "Lifetime Eligibility Used," or LEU, (which is measured in percentage of a Pell Scheduled Award), which is the measurement by which Pell eligibility in the academic career of an individual student is tracked. It may make sense for a student to do so if they anticipate transferring to a more expensive school, since the percentage of a Scheduled Award will be a greater amount of funding at a more expensive school. This policy, new for the 2012-13 award year, helps to compensate for the reduction in LEU before a student is no longer eligible to receive Pell funds.

To decline Pell funds, a student must send a signed, written statement to your school indicating that they are declining Pell funds that the student was otherwise eligible to receive, and that those funds may not be available once the award year is over. Your school must submit any necessary adjustment records resulting from the student's action to the Common Origination and Disbursement (COD) System.

PELL GRANTS AND COD

Once your financial aid office determines a student is eligible to receive a Pell Grant at your school, the office will create and submit award (origination data) and disbursement data in the COD system (COD and the requirements and methods of submitting awards is discussed in *Volume 5*).

Creation of an award, and acceptance of that award in the COD system, establishes the framework through which your school later can tie the individual student's Pell Grant disbursement to your school.

Award data, submitted to originate an award, does not include actual disbursement dates and amounts. Therefore, your school can originate Pell awards as early in the award cycle as it chooses. By submitting award data early, your aid office can allow time to correct data that later might delay acceptance of actual disbursements.

Setting the Disbursement Release Indicator, or "DRI," to False allows your school to submit anticipated disbursement data more than 7 days in advance of the intended disbursement date, regardless of funding method. The DRI set to False alerts the COD system that you are not actually requesting funds.

When a school may submit actual disbursement data depends on the way ED provides FSA funds to the school (as described in *Volume 5*). To create an actual disbursement record, your school must set the DRI to True.

A school may submit disbursement data in advance of the actual disbursement date with the DRI set to True. However, records sent in more than 7 days in advance must have the DRI set to false (indicating they are anticipated or pending disbursements).

Advanced Funded schools may submit actual disbursement records up to 7 days in advance of the intended disbursement date. HCM1 schools also can submit actual disbursement records up to seven days in advance of the intended disbursement date. A school operating under the Reimbursement or HCM2 methods may not submit actual disbursement records in advance of the disbursement date. For schools on either HCM2 or Reimbursement, School Participation will not initiate a drawdown of Pell Grant funds through G5 until –

1. the school has made a disbursement to the student from the school's own funds; and
2. FSA School Participation has reviewed the required documentation.

There are no Initial Authorizations in the Pell, TEACH, and Iraq and Afghanistan Service Grant programs. A school's authorization for these programs will be based on the net accepted and posted actual disbursement records accepted by the COD System. A new ESOA will be sent to a school's SAIG mailbox each time an authorization changes for the Pell and Iraq and Afghanistan Service Grant programs.

Reporting of Pell & IASG Disbursement submission deadline

Federal Register 6/29/2012 (Vol. 77, No. 126)

You are required to submit disbursement information no later than the earlier of:

- 30 calendar days after you make a disbursement or become aware of the need to make an adjustment to previously reported disbursement data; or
- October 1, 2012.

You may only submit disbursement information after the above deadlines in one of the following cases:

- based upon a program review or initial audit finding per 34 CFR 690.83;
- for reporting a late disbursement under 34 CFR 668.164(g); or
- for reporting disbursements previously blocked as a result of another institution failing to post a downward adjustment.

As a school reports disbursements in COD, the system makes any necessary adjustments to the CFL/authorization based on the actual dollar amount of those disbursements. Each actual disbursement, when accepted by COD, generates a new ESOA, which is sent to your school. Note that a subsequent ESOA is generated only when the CFL/authorization is exceeded or decreased, not each time a disbursement is accepted. Only accepted, actual disbursements drive funding.

Funding is not made available and the authorization in G5 increased by the accepted disbursement amount until seven days before the actual disbursement date. All disbursement records (increases or decreases) must be submitted within 30 days of the date the school becomes aware of a Pell Grant change.

Pell Grant authorization CFL/authorization adjustments are generally school generated, resulting from schools' submission of disbursement increases and decreases throughout the year. However, these adjustments may also be system generated, as the result of a potential overaward (POP). POPs are updated daily.

A POP occurs when the combination of payments reported by more than one school would cause the student to receive more than a Scheduled Award. In this case, COD will accept and process the disbursement and send a Multiple Reporting Record (MRR) to all schools involved. The student will be allowed to remain in an overaward status for 30 days, after which, if the POP remains unresolved, each school involved will receive a negative disbursement decreasing all previously accepted disbursements for the award year to zero.

It is important to remember that system generated Pell Grant CFL/authorization adjustments, as well as school-generated adjustments, (upward or downward) directly affect the CFL or authorization reported in G5. Failure to consider this may result in difficulty when reconciling Pell Grant Program funds. Too often, schools overlook the possibility that a system-generated adjustment is the cause of a discrepancy between their own and Department records, choosing to focus only on the disbursements they submitted.

In addition to the daily system generated reductions, COD creates Pell Grant global reductions that occur several times a year and are part of funds control measures.

One type of Pell Grant global job is the "W" verification reduction. Schools are permitted to make a first payment to a student without verifying student income and eligibility data on selected students, but before the end of the award year they must change the "W," for Processed Without Verification, to either a "V," "S," or blank. In the second half of the award year (generally in April), COD will generate warning messages to affected schools telling them that they have 30 days to change the verification code. After 30 days, COD runs a global job that reduces the awards of students who are still coded "W" to zero.

Unprocessed Deobligations

Unprocessed Deobligations are negative available balances that are generally created when a school submits disbursement decreases and those decreases cause the CFL/authorization to fall below the amount already drawn down by the school from G5.

Unprocessed Deobligations occur routinely during the course of an award year when financial aid administrators submit decreases to disbursement records for which the business office has not yet submitted cash refunds to G5. However, these discrepancies should be cleared up as the award year ends. In the Pell Grant and Campus-Based programs, unprocessed deobligation that exist after a year has closed will result in audit findings that a school must resolve.

Unprocessed Deobligations are unlikely to occur while large numbers of disbursement increases are being reported to COD. However, during periods where few or no disbursement increases but numerous disbursement decreases are being reported, an Unprocessed Deobligation may easily occur. An example of this would be where a school has reported most of its Pell Grant disbursements for students in a term, and drawn funds through G5 equal or nearly equal to the Pell Grant CFL/authorization. Adjustments are then made to account for students who failed to begin attendance, withdrew, or whose enrollment status differed from what was initially anticipated. These adjustments (reported as disbursement decreases) result in a Pell Grant CFL/authorization that is now less than the amount already drawn from G5 on that Pell Grant award.

Frequent reconciliation of business office and financial aid office records throughout the award year is the surest method of avoiding Unprocessed Deobligations or quickly resolving them when they do occur. Resolution can be accomplished by –

- refunding the amount of the Unprocessed Deobligation; or
- submitting disbursement records that cover the amount of the Unprocessed Deobligation; or
- making an electronic adjustment in G5 if the Unprocessed Deobligation was caused by a school drawing down cash from the wrong program or award year.

If an Unprocessed Deobligation is listed on your G5 account and you have made a refund, you need to contact the G5 help desk as soon as possible to get the Unprocessed Deobligation resolved.

Schools that are reconciling monthly and reporting disbursements and adjustments within 30 days should be able to resolve any discrepancies caused by unprocessed deobligations. Final reconciliation should be completed by September 30 following the end of the award year.

Pell and IASG duration of eligibility and LEU

Dear Colleague Letter GEN-12-01 Changes made to the Title IV student aid programs by the Consolidated Appropriations Act of 2012 (Public Law 112-74) included a provision that limits a student's eligibility for Pell Grant funds to a maximum of 12 semesters (or equivalent), effective with the 2012-13 award year. You may not disburse Pell funds to a student who has already reached 600% Lifetime Eligibility Used (LEU) in COD. For more detail, see the "Pell & IASG duration of eligibility in 2012-13" section earlier in this Chapter.

Pell LEU timely reporting requirement

While it has always been important for schools to comply with the reporting requirements, the possibility that a student may exceed the new limitation on Pell Grant eligibility makes it even more critical that reporting be done in a timely fashion. To ensure that your school and your colleagues at other schools have the most accurate information about each Pell recipient's LEU, we urge you to report Pell disbursement (and adjustment) information to COD as early as possible in the required 30-day timeframe. Doing so will allow the Department's systems to provide schools with more timely LEU data and help prevent overawards.

PELL-SPECIFIC DISBURSEMENT RULES

For the most part, schools must disburse Pell Grant funds according to the general rules for disbursing FSA funds described in *Volume 5*. However, there are some rules for disbursing Pell Grant funds that the business office should be aware of so it can serve as a check on financial aid office procedures.

Some students who are ineligible at the start of an award year become eligible later in that year. When a student becomes eligible for FSA funds in the middle of an award year, the student's eligibility for funds during that year is dependent both on the FSA program and on the date the student becomes eligible.

For Pell Grant and Campus-Based aid, in general, a student becomes eligible beginning with the payment period in which the eligibility issue was resolved. So a student enrolled at a school offering classes in an academic year composed of a fall and a spring semester who gains eligibility during the spring semester would only be eligible for Pell Grant and Campus-Based aid for that semester.

However, there are three exceptions. If the student's initial ineligibility was due to an issue related to the –

1. requirements for citizenship;
2. validity of the student's social security number; or
3. student's registration for selective service;

and the student resolves that issue during the spring term, the student becomes eligible for Pell Grant and Campus-Based aid retroactively to the beginning of the award year.

In all cases, when a school receives Pell Grant funds for a student who has already completed one or more payment periods for which the student was eligible to receive funds in the award year, the school may pay the Pell Grant funds in one lump sum for the current payment period and all the prior payment periods for which the student was eligible within the award year. However, **the student's enrollment status for any term already completed must be determined according to academic coursework actually completed.**

For example, consider a student who registered for and began 12 credits (four courses of three credits each) in the fall term, but completed only nine credits (three courses). If the student's Pell Grant funds are not received until the spring term, the school may only pay the student for the fall term using the schedule (3/4 time) for nine credits.

Moreover, if the student received a “B” in two classes and an “F” in the third, the school must determine if the student completed the course in which the student received the “F.” That is, a school must have a procedure to differentiate between a student who completed a course but failed to achieve the course objectives, and a student who did not complete the course. In determining a student’s enrollment status for Pell Grant funds for a term that has already ended, a school may not include credits for a course the student failed to complete. For additional information on procedures a school may use to determine whether a student completed a course, see *Volume 5*.

A single disbursement for a payment period (excluding payments for terms a student has already completed) can never be more than 50% of the student’s Annual Award. If the amount of Pell Grant funds a student is eligible to receive within a single payment period is more than 50% of the student’s Annual Award, you must pay those funds in at least two disbursements, regardless of whether the term is a standard term or nonstandard term.

Within a payment period, so long as a school does not violate an existing disbursement regulation, the school may pay a student at such times and in such installments as it determines will best meet the student’s needs.

A school should also be aware of a student’s Pell & IASG Lifetime Eligibility Used (LEU) in COD, and the effects on duration of Pell and IASG eligibility of this measure. For more detail on Pell LEU and duration of Pell and IASG eligibility, see the *FSA Handbook, Volume 3, Chapter 3*.

Special provisions for books and supplies

In order to academically succeed in a program, a student must be able to purchase books and supplies at the beginning of the academic period. Therefore, by the seventh day of a payment period, a school must provide a way for a student who is eligible for a Federal Pell Grant to obtain or purchase the books and supplies required for the payment period if:

- ten days before the beginning of the payment period, the school could have disbursed FSA funds to the student; and
- disbursement of those funds would have created an FSA credit balance.

A school must consider all the FSA funds a student is eligible to receive at the time it makes the determination, but the school need not consider aid from non-FSA sources.

A school that includes the costs of books and supplies in the tuition charged and provides all of those materials to the student at the start of his or her classes meets the requirements of these regulations.

The amount a school must provide is the lesser of the presumed credit balance or the amount determined by the school that the student needs to obtain the books and supplies. In determining the required

Paying Pell Grant in a lump sum, cite

34 CFR 690.76(b)

Provisions for books and supplies

34 CFR 668.164(i)

Authorization not required

If a Pell eligible student uses the process provided by the school to obtain books or supplies, the student is considered to have authorized the use of the FSA funds, and no written authorization is required.

School options

A school has the flexibility to choose the method or methods to satisfy this provision based on its administrative needs and constraints or an evaluation of the costs and benefits of one or more method. For example, the school may issue a bookstore voucher, make a cash disbursement, issue a stored-value card, or otherwise extend credit to students to make needed purchases.

Schools may credit credit balances early to all students

Although the requirement is about a school providing a way for a student who is eligible for a Federal Pell Grant to obtain books and supplies, a school is not prevented from making credit balance funds available early in the payment period to other students.

Effect of Verification

To be eligible to receive the disbursement for books and supplies, a student must meet all the student eligibility requirements before the start of the student's payment period.

A student who has not completed the verification process, has an unresolved "C" code on the SAR and ISIR, or has unresolved conflicting information is not covered by the special provisions for books and supplies if those issues have not been resolved at least 10 days before the start of the student's payment period.

amount, a school may use the actual costs of books and supplies or the allowance for those materials used in estimating the student's cost of attendance for the period.

A school's policy must allow a student to decline to participate in the process the school provides for the student to obtain or purchase books and supplies.

If a school uses a bank-issued stored-value or prepaid debit card that is supported by a federally insured bank account to deliver funds for books and supplies, a student must have access to the funds via the card by the seventh day of his or her payment period. If a bank delays issuing a stored-value or prepaid debit card to the student because it must resolve conflicting identity data under federal law, the Department will not hold the institution accountable as long as the institution exercises reasonable care and diligence in providing in a timely manner any identity information about the student to the bank. Likewise, the school is not responsible if the student provides inaccurate information or delays in responding to a request from the bank to resolve any discrepancies.

Under a consortium agreement between two eligible schools, if a student is enrolled in a course at the host school and classes start before the payment period begins at the home school that is paying the FSA funds, the regulations require that the student obtain the books and supplies by the seventh day of the start of the payment period of the home school. If the host school is paying the FSA funds, the student must be able to obtain the books and supplies by the seventh day of the start of the payment period of the host school.

A student may decline to participate (opt out) in the way a school provides for obtaining books and supplies. For instance, if a school provides a bookstore voucher, the student may opt out by not using the voucher. If the school provides the funds using a stored-value or prepaid debit card, the school must have a procedure through which the student may opt out. For example, a school may require a student to notify the school by a certain date so that the school does not unnecessarily issue a check to the student or transfer funds to the student's bank account. If a student opts out, the school may, but is not required to, offer the student another way to purchase books and supplies as long as it does not otherwise delay providing funds to the student as a credit balance.

A school is required to provide, in its financial aid information and its notifications provided to students receiving FSA funds, information on the way the school provides for Federal Pell Grant eligible students to obtain or purchase required books and supplies by the seventh day of a payment period under certain conditions and how the student may opt out. The information must indicate whether the school will enter a charge on the student's account at the school for books and supplies or pay funds to the student directly. Also, during the aid counseling process, the school must explain to a student who qualifies for the funds advanced to purchase books and supplies how the method is handled at the school and how a student may opt out.

RECOVERY OF PELL GRANT OVERPAYMENTS AND RESTORING THE PELL GRANT FUND

A Pell Grant overpayment occurs any time a student receives a payment of Pell Grants funds that exceeds the amount for which he or she is eligible. Most overpayments are due to one of the following:

- Student error, such as failing to report the spouse's income on the application, or failing to report attendance and financial aid received at a previous school.
- School error, for instance when a student's award is taken incorrectly from the Payment Schedule, or when the school pays a student who isn't making satisfactory progress.
- Required recalculations, such as when a student never begins attending class or does not begin attending all of his or her classes.
- Required repayments, for instance, when the school makes an interim disbursement to a student selected for verification, but the student never completes verification.
- Return of Title IV funds, in cases where the calculation determines that a student who has withdrawn or otherwise ceased enrollment during a payment period or period of enrollment must repay an unearned portion of his or her Pell Grant award.

If the overpayment is the result of a school error the school must restore its Pell Grant fund by the amount of the overpayment.

A school may choose to restore the fund for an overpayment that is the result of student error and, consequently is a student liability. However, it is not required to do so. If a school chooses to return an overpayment for which a student is responsible, and debit the student's account for the amount returned, the resultant debt can never be considered an FSA debt. It is a debt to the school.

A Return of Title IV funds calculation may result in the school, the student, or both having to repay money to the Pell Grant Program. As noted above, the student portion of any Pell Grant award that must be returned is considered an overpayment for which the student has responsibility.

Generally, amounts restored to the school's Pell Grant fund may be used to pay Pell Grant awards to other students. These recovered funds represent cash on hand and must be taken into account when determining cash needs and making drawdown requests through G5. Failure to do so may result in an accumulation of excess cash in the school's Pell Grant fund. Recovered Pell Grant funds that the school does not need to pay awards to other students, or does not wish to use for this purpose, must be returned to the Department, using the Electronic Refund function in G5.

For more detail on overawards, overpayments, and Return of Title IV funds, see *Volume 5*.

30-day delay requirement

If the 30-day delayed disbursement provisions for Stafford Loans apply to a student, a school should not consider the amount of any loan disbursement in determining the credit balance because the school may not disburse that loan 10 days before the start of that student's payment period.

Taking attendance

A school may take attendance or use an equivalent method to determine if a student is attending class, but unless the school determines that the student is not attending class, by the seventh day of the payment period, that student must be able to obtain books and supplies.

When a student withdraws

The requirement to provide a way for students to obtain their books and supplies does not change the treatment of FSA funds when a student withdraws discussed in *Volume 5*.

When a student fails to begin attendance

The requirement to provide a way for students to obtain their books and supplies does not change the treatment of FSA funds when a student fails to begin attendance discussed in *Volume 5*.

Pell & IASG LEU Overpayments

34 CFR 690.79(2)

If your school disburses 2012-13 award year Pell or IASG funds to a student who has already reached their 600% LEU limit, then you may be liable for the overpayment if you had information at the time of the disbursement that indicated that the student would exceed 600% (see "Duration of Pell & IASG durability" section earlier in this chapter). This overpayment is considered a school liability and not the fault of the student. While the student may be billed by the school, if the overpayment is not repaid by the student, it should not result in the loss of the student's Title IV eligibility and should not be reported to the National Student Loan Data System (NSLDS), nor referred to the Department for collection.

RECONCILIATION IN THE PELL GRANT PROGRAM

To fulfill its responsibility to safeguard federal funds and ensure they are expended as intended, a school must perform reconciliation in each FSA program monthly. Through reconciliation, a school ensures that ED's records reconcile with the school's records, both at the cumulative and individual student levels.

Monthly reconciliation for the Pell Grant program should include verifying that, individually and cumulatively, the

1. records of awards made to students maintained by the financial aid office match the records of pending disbursements for those students maintained by the business office;
2. business office records of pending disbursements and financial aid office records of student awards match the records of actual disbursements posted to the students' accounts;
3. the disbursements posted to students' accounts match the disbursements to those students in the COD system; and
4. cumulative school and COD records of Pell Grant disbursements match Net Draws in G5 for the award year Pell Grant Program.

Monthly reconciliation is an important internal control procedure and it can make a significant contribution to increasing the overall program integrity of the FSA programs. For full details on the requirements and methods of reconciliation, see *Volume 5*.



In this chapter, we will describe the TEACH Grant program and show what a student may receive for each payment period. For more detail on TEACH Grant criteria and the service agreement students are required to sign in order to become eligible, see Volume 2 of the Blue Book, Student Eligibility.

TEACH GRANT BASICS

The TEACH Grant program is a non-need-based grant program that provides up to \$4,000 per year to students who are enrolled in an eligible program and who agree to teach in a high-need field, at a low-income elementary or secondary school as a highly qualified teacher, for at least four years within eight years of completing the program for which the TEACH Grant is awarded. The student must sign a service agreement to this effect, and complete all required counseling prior to receiving a TEACH Grant.

If the student subsequently fails to meet the requirements of the service agreement, the TEACH Grant will be converted into a Direct Unsubsidized Loan, and the student must repay the TEACH Grant funds, with interest accrued from the date of disbursement, through the Direct Loan Servicing Center. For more details on the TEACH Grant service agreement, eligibility, and conversion from a grant to a loan, see *Volume 1* of the *FSA Handbook*.

With respect to enrollment status, the program must require an undergraduate student to enroll for at least 12 credit-hours in each term in the award year to qualify as full-time. For a graduate student, each term in the award year must meet the minimum full-time enrollment status established by your school for a semester, trimester, or quarter.

CHAPTER HIGHLIGHTS

- Award amounts
- Calculating a TEACH Grant for a payment period
- Calculating TEACH Grants for a payment period that occurs in two award years
- TEACH Grants for transfer students
- Correspondence study and TEACH
- Frequency of payment
- Recalculation of TEACH Grants

TEACH Grant regulations

34 CFR 686
Scheduled, annual, and aggregate awards
34 CFR 686.21

Packaging TEACH Grants

The amount of a student's TEACH Grant, in combination with any Pell Grant or other estimated financial assistance, may not exceed the student's cost of attendance. However, TEACH Grants may replace the EFC for packaging purposes.

See *Chapter 7, Volume 3* of the *FSA Handbook* for packaging rules.

TEACH Grant regulations

- Calculating TEACH for a payment period
34 CFR 686.22
- Timing of payments
& Lump sum payments
34 CFR 686.33
- TEACH Grant Academic Year
34 CFR 686.22(h)
- Crossover payment periods
34 CFR 686.23
- Transfer students
34 CFR 686.24

Payment for a payment period from two Scheduled Awards

34 CFR 686.22(i)

When a student's payment period spans two different Scheduled Awards, the student's payment for the payment period is calculated based on the total credit or clock-hours and weeks of instructional time in the payment period, and is the remaining amount of the Scheduled Award being completed plus an amount from the next Scheduled Award, (if available) up to the payment for the payment period.

TEACH Grant Formula 1

34 CFR 686.22(a)(1),(b)

TEACH Grant Formula 2

34 CFR 686.22(a)(2),(c)

TEACH Grant Formula 3

34 CFR 686.22(a)(3),(d)

TEACH Grant Formula 4

34 CFR 686.22(a)(4),(e)

TEACH Grant Formula 5

34 CFR 686.25

TEACH Grant Scheduled, Annual, and Aggregate Awards

The TEACH Grant award amounts are similar to Pell awards in that there is a Scheduled Award, which is the maximum that a full-time student would earn for a year, and an Annual Award, which is the amount a student would receive by enrolling for a year in an enrollment status (e.g. full-time, three-quarter-time, half-time, or less-than-half-time). The Scheduled Award for TEACH is \$4,000, and the annual awards are:

Full-time	\$4,000
3/4-time	\$3,000
1/2-time	\$2,000
less-than-1/2-time	\$1,000

A student may receive up to \$16,000 in TEACH grants for undergraduate and post-baccalaureate study, and up to \$8,000 for a TEACH-eligible master's degree program.

CALCULATING TEACH GRANT PAYMENTS FOR PAYMENT PERIODS

As with other FSA programs, for purposes of calculating a TEACH Grant for a payment period, the definition of an academic year must include, for undergraduate programs of study (including those post-baccalaureate programs that are TEACH Grant eligible), both the required credit or clock-hours and weeks of instructional time.

The formula your school's financial aid office will use to calculate the amount of a student's TEACH Grant that will be awarded for a payment period depends on the academic calendar used by the student's program. These formulas are the same as for Pell Grants, with the exception of master's degree programs. For details on these payment formulas, see the *FSA Handbook, Volume 3*.

As with Pell Grants, TEACH Grant Scheduled Awards are divided into at least two payments based on the payment periods in a year. The calculation formula you use depends on the academic calendar of a student's eligible program and would be the same formula used to calculate payments of Pell Grants for that academic program. A student's payment for a payment period is calculated based on the coursework in the student's TEACH Grant-eligible program. For a TEACH Grant, the school must ensure that the student's courses are necessary for the student to complete the student's TEACH Grant eligible program. Note that no payment for a payment period may be less than \$25.

For students ineligible for Pell Grants, such as master's degree students, you must use the calculation formula that corresponds to the academic calendar of the eligible student's program.

Crossover payment periods

In the same way as for Pell, if a student enrolls in a payment period that is scheduled to occur in two award years, the entire payment period must be considered to occur within one of those award years, and your school must pay the student for that payment period with funds from that award year. There is no requirement for a TEACH Grant crossover payment period to be placed in the same award year as Pell.

In most cases, it is up to the school to determine the award year in which the payment period will be placed. However, if more than six months of a payment period is scheduled to occur within one award year, your school must place that payment period in that award year.

Payment within payment period & retroactive payment

Within each payment period, your school may pay the student at such times and in such installments as you determine will best meet the student's needs. Your school may pay a student TEACH Grant funds in one lump sum for all prior payment periods for which the student was eligible within the award year as long as the student has signed the agreement to serve prior to disbursement of the TEACH Grant (for more details on the agreement to serve and TEACH Grant eligibility, see *Volume 1*).

Transfer students

A student who receives a TEACH Grant at one institution and subsequently enrolls at a second institution may receive a TEACH Grant at the second institution if the second institution obtains the student's valid SAR or ISIR with an official EFC.

The second institution may pay a TEACH Grant only for that period in which a student is enrolled in a TEACH Grant-eligible program at that institution. The second institution must calculate the student's award using the appropriate formula, unless the remaining balance of the Scheduled Award at the second institution is the balance of the student's last Scheduled Award and is less than the amount the student would normally receive for that payment period.

A transfer student must repay any amount received in an award year that exceeds the amount which he or she was eligible to receive.

A student may not receive TEACH Grant payments concurrently from more than one school.

Required TEACH Grant counseling

Before receiving a TEACH Grant, a student must, among other requirements, complete initial and subsequent counseling on the TEACH website. You must ensure that exit counseling is conducted with each TEACH Grant recipient when that student completes or withdraws from the TEACH-eligible program. The exit counseling must be in person, by audio-visual presentation, or by interactive electronic means (such as the TEACH Grant website: <https://teach-ats.ed.gov/ats/factsheet.action>).

In each case, you must ensure that an individual with expertise in the FSA programs is reasonably available shortly after the counseling to answer the grant recipient's questions. (In the case of a grant recipient enrolled in a correspondence program or a study abroad program approved for credit at the home school, the grant recipient may be provided with written counseling materials within 30 days after her or she completes the program.)

It is the school's responsibility to see that TEACH recipients receive exit counseling when the student is no longer enrolled in the program. You will receive reports from the DL Servicing Center on all students who have completed counseling. If the student doesn't complete the exit counseling session on the TEACH website, you must ensure that exit counseling is provided either in person, through interactive electronic means, or by mailing written counseling materials (such as the PDF version of the exit counseling program on the TEACH website) to the grant recipient's last known address. In the case of unannounced withdrawals, you must provide this counseling within 30 days of learning that a grant recipient has withdrawn from school (or from a TEACH Grant-eligible program).

TEACH Grant recalculations

34 CFR 686.35

RECALCULATING TEACH GRANTS

Recalculating for changes in enrollment status

If a student's enrollment status changes from one term to another within the same award year, your school **must** recalculate the TEACH Grant award for the new payment period, taking into account any changes in the cost of attendance.

If a student's projected enrollment status changes during a payment period after the student has begun attendance in all of his or her classes for that payment period, you may (but are not required to) establish a policy under which you recalculate such a student's TEACH Grant award. Any such recalculations must take into account any changes in the cost of attendance. In the case of an undergraduate or post-baccalaureate program of study, if such a policy is established, it must match your Pell Grant recalculation policy, and you must apply the policy to all students in the TEACH-eligible program.

If a student's enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, you must recalculate the student's enrollment status to reflect only those classes for which he or she actually began attendance.

Recalculating for changes in cost of attendance

If a student's cost of attendance changes during the award year and his or her enrollment status remains the same, your school **may**, but is not required to, establish a policy under which you recalculate the student's TEACH Grant award. If you establish such a policy, you must apply it to all students in the program.